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UNCLAS YEREVAN 002604

SIPDIS

SENSITIVE

DEPT FOR INL/JCAMPBELL;INL/CMESHESKE;
JUSTICE FOR OIA AND AFMLS, TREASURY FOR FINCEN, OTA

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TAGS: EFIN KCRM KSEP PTER SNAR AM
SUBJECT: NEW ANTI-MONEY LAUNDERING LAW MOVING FORWARD

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SUMMARY

¶11. (SBU) On November 24, 2004 the Armenian parliament adopted the first reading of the Law Against Money Laundering and Terrorist Finance, which is intended to implement recommendations that MoneyVal (the Council of Europe's committee on anti-money laundering) made during its review of Armenia earlier this year. The law will significantly improve Armenia's regime for the control of money laundering by establishing a single Financial Intelligence Unit (FIU), consolidating reporting requirements for large money transfers and all suspicious transactions, and bringing banks, non-banking financial institutions and casinos under the same legal framework. In addition, the law specifically criminalizes the financing of terrorism. While the law may face some minor changes during its second and third readings, the parliament has committed to it in principle by adopting the first reading. The Central Bank has told us that it expects parliament to pass the law substantially unchanged before the New Year. End summary.

FINANCIAL INTELLIGENCE UNIT TO BE CREATED IN CENTRAL BANK

¶12. (SBU) Following the passage of the first reading of the new anti-money laundering law, the Central Bank has the mandate to proceed with the establishment of a Financial Intelligence Unit (FIU). Nerves Yeritsyan, Advisor to the Central Bank Chairman, is charged to form the FIU and create banking procedures and by-laws to implement the FIU's reporting regime. Yeritsyan told us that he would be the head of the FIU, "at least in the beginning." The FIU will be an independent body that reports to the chairman of the Central Bank. Its mandate will be limited to gathering intelligence and analyzing it. The FIU will transfer cases to the Procurator General for enforcement. Yeritsyan said that he expects the FIU to be fully operational by mid-2005. The draft

¶13. According to Yeritsyan, the new anti-money laundering law and the creation of a new FIU are steps towards meeting MoneyVal's recommendations by the February 2005 deadline. When asked about joining the Egmont group, Yeritsyan said that he intends to work toward it but that the FIU as envisaged by the new legislation lacks legal competency to deal directly with FIU's of other countries.

DRAFT LAW CRIMINALIZES TERRORIST FINANCE

¶14. The new draft anti-money laundering law also contains provisions to strengthen Armenia's legislation to combat terrorist finance by specifically criminalizing acts that assist the financing of terrorism. We will report this septel, once the law has passed its final reading.

COMMENT

¶14. (SBU) While the new money-laundering law is a step forward, there are still some gaps. Only some institutions covered by the new law will report directly to the FIU. Casinos and insurance companies will still report to their regulators in the Ministry of Finance, who will then forward suspicious cases to the FIU. It is not clear what competence the FIU will have to investigate on its own initiative institutions that do not report directly to it. Additionally, the new law lacks clear procedures for freezing or confiscating assets, although Yeritsyan tells us that by-laws will put measures in place. Yeritsyan told us that he intends to approach international donors for assistance in three areas, technical assistance in the creation of procedures, by-laws and reporting systems, the

set-up and maintenance of databases, and training for the officials at banks and exchange offices who are required to report suspicious transactions.

EVANS